



The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Dear Chairman Bernanke:

I am writing on behalf of Smart Financial Credit Union to comment on the proposed cap on debit card interchange at .12 that would harm consumers and my institution's ability to deliver critical financial services to the citizens of Houston, Texas. In approving the Durbin amendment, the Senate adopted the language of the largest retailers, merchant processors, and their lobbyists without taking the time to fully understand the complexity of the Visa and MasterCard business models. It is disappointing that our representatives would allow such a harmful proposal for consumers and our banking system to go so far with virtually no hearing or debate. Hastily written rules may end up doing more harm than good and have negative impacts to the financial services industry. Interchange is an important source of revenue for my institution which serves 80,000 plus members and 50,000 plus cardholders in the surrounding Houston Counties, and also employs over 200 individuals. Price controls at the proposed cap of .12 on interchange would adversely affect consumers and financial institutions of all sizes across our nation.

Business owners reap many benefits from having access to a global payment system that is valued and trusted by consumers. A few examples are listed below:

- They are able to handle less cash.
- Funds for purchases are automatically settled to their accounts.
- Customers may only be able to make a purchase on credit.
- They have zero liability on the transactions if a pin or signature is present whether it is a stolen card or not.
- Record keeping is much easier.
- Fast and easy checkouts.
- Secure online transactions.

My concerns are that card issuers need the interchange income to offset the following expenses of maintaining a card program:

- Product innovation
- Maintenance on EFT networks
- Payment system integrity
- Fraud detection and prevention
- Losses from card fraud which is usually caused by unsecure merchant and merchant acquirer systems
- To staff specialist dedicated to run the programs.

● *Thoughtful Banking*

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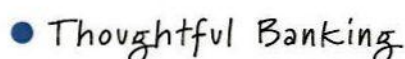
Moreover, the proposed cap may result in eliminating debit cards all together for some institutions and have damaging consequences to consumers. We would no longer be able to offer low-cost checking and online banking services that hard-working Americans depend on to meet their financial needs.

Finally, regulations requiring enhanced security to the payments systems such as EMV instead of magnetic stripe and fraud detection tools that are prevalent in other countries may be more prudent than price controls on the income needed for product development and operational expenses. I will be happy to discuss my concerns in greater detail with you at anytime. I respectfully ask that you help all consumers and reconsider the possible consequences before approving price controls in a capitalistic business environment.

Regards,

A handwritten signature in black ink that reads "Corbin Wilson". The signature is written in a cursive, flowing style.

Corbin Wilson
Vice President
Smart Financial Credit Union



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